

## Message Text

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21/10

ACTION EA-10

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-03 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02

OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 AGR-05 SAM-01

SAJ-01 STR-04 /106 W

----- 031070

R 100825Z JUL 75

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 1475

INFO AMEMBASY BANGKOK

AMCONSUL HONG KONG

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY LONDON

AMEMBASSY MANILA

AMEMBASSY MOSCOW

AMEMBASSY PARIS

USLO PEKING

AMEMBASSY SEOUL

AMEMBASSY SINGAPORE

CINCPAC HONOLULU HI

C O N F I D E N T I A L TOKYO 9251

C O R E C T E D C O P Y FOR PARA 4

E.O. 11652 GDS

TAGS: PFOR, PDIP, JA, VN VS

SUBJECT: JAPAN'S RELATIONS WITH DRV AND RGSVN

REF: A. TOKYO 8545 B. TOKYO 8478

CINCPAC ALSO FOR POLAD

SUMMARY FONFF HAS DECIDED TO ACQUIESCE IN HANOI'S DEMAND FOR  
FINAL SETTLEMENT OF AID ISSUE TO CLEAR WAY FOR OPENING EMBASSIES

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BUT STILL MUST CONVINCE RELUCTANT MINISTRY OF FINANCE AND DEVISE

MEANS FOR OBTAINING DIET APPROVAL OF ADDITIONAL AID. RESPONDING TO HANOI'S DOMINANT POSITION IN SOUTH AS WELL AS NORTH VIETNAM, FONOFF PLANS TO TRY TO COMPLETE NEGOTIATIONS WITH HANOI BEFORE PROCEEDING WITH SAIGON. EMD SUMMARY.

1. FONOFF FIRST SE ASIA DIVDIR HANABUSA INFORMED US FONOFF HAS DECIDED TO ACQUIESCE IN NEGOTIATIONS WITH HANOI AND TRY TO REACH A FINAL OVERALL SETTLEMENT OF ECONOMIC ASSISTANCE SOMEWHERE BETWEEN 12 AND 14.5 MILLION YEN, RESPECTIVELY PROPOSED BY TOKYO AND HANOI. SUBSEQUENTLY, HANABUSA HOPES EMBASSIES CAN AT LONG LAST BE OPENED. MAJOR DIFFICULTIES WITH CONCESSIONARY APPROACH ARE OPPOSITION IN FINANCE MINISTRY AND NECESSITY FOR GAINING DIET APPROVAL FOR ECONOMIC ASSISTANCE EXCEEDING FUNDS ALREADY ALLOCATED BY DIET. (5 BILLION YEN ALREADY ALLOCATED COULD BE EXTENDED BY EXECUTIVE AGREEMENT.) HIGHLIGHTING OPPOSITION IN FINANCE MINISTRY, FONMIN MAYAZAWA TOLD PRESS IN BACKGROUNDER THAN FINMIN OHIRA ASKED ONLY ONE QUESTION, "WHAT DOES USG THINK OF ECONOMIC ASSISTANCE BEING EXTENDED BY JAPAN TO DRV?" MIYAZAWA TOLD JOURNALIST HE RESPONDED TO OHIRA THAT USG UNDERSTOOD JAPAN'S INDOCHINA POLICIES, BUT FONOFF HAS NOT YET CONVINCED FINANCE AND EVEN WITH FINANCE'S CONCURRENCE MUST STILL OBTAIN DIET APPROVAL, PERHAPS IN THE EXPECTED AUTUMN SESSION. HANABUSA IS UNSURE WHETHER DRV WOULD BE WILLING TO PROCEED WITH OPENING EMBASSIES AFTER AGREEMENT IS REACHED BETWEEN NEGOTIATORS OR IF HANOI WOULD INSIST ON AWAITING FINAL DIET APPROVAL. IN ANY CASE FINAL BREAKTHROUGH IS STILL PROBLEMATICAL.

2. FONOFF HAS ALSO CONCLUDED THAT RELATIONS SHOULD BE PURSUED FIRST WITH HANOI AND SUBSEQUENTLY WITH SAIGON SINCE HANOI CLEARLY DOMINATES SVN'S INTERNAL AND EXTERNAL POLICIES, AT LEAST FOR MOMENT. THIS, WHILE INFORMAL TALKS WILL CONTINUE IN PARIS WITH RGSVN AMB PHAM VAN BA, FONOFF WILL CONCENTRATE ON FINALIZING NEGOTIATIONS WITH HANOI FIRST UNLESS TALKS WITH DRV DRAG ON INTERMINABLY, IN WHICH CASE PLANS MIGHT BE RECONSIDERED.

3. WHILE PRESS HAS WIDELY REPORTED FORMER AMB TO SAIGON HITOMI'S RECENT PUBLIC OPTIMISM OVER RE-ESTABLISHMENT OF CONFUSION IN RGSVN AND APPARENTLY UNRESOLVED STATE OF RELATIONS BETWEEN SAIGON AND HANOI. HANABUSA COMMENTED THAT THERE APPEAR TO BE THREE RGSVN'S ONE IN SAIGON, PARIS AND HANOI. HE BELIEVES CONFIDENTIAL

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RGSVN REPS IN PARIS ARE PROBABLY MORE ATTUNED TO ACTUAL POLICY THAN THOSE IN SAIGON AND DISPARAGES HITOMI'S OPTIMISM. FOR THIS REASON, HANABUSA STILL EXPECTS SVN TO DEMAND COMPENSATION IN FORM OF ECONOMIC ASSISTANCE FOR SUPPORT JAPAN DEMONSTRATED FOR FORMER FGN, (WE NOTE KYOKO REPORT JULY 5 CITING RGSVN PREMIER HUYNH TAN WHO SAID "JAPAN HAS THE OBLIGATION TO CONTRIBUTE TOWARD REHABILITATION TOWARD SVN" FOR HAVING SUPPORTED "US AGGRESSION " AND "OLD SAIGON REGIME".)

IN THIS CONTEXT, HANABUSA SAID THAT IF RGSVN RENEGES ON \$25 MILLION DEBT OBLIGATIONS INCURRED BY FORMER GVN, GOJ , AND ESPECIALLY MINISTRY OF FINANCE, WILL BE EXTREAMELY RELUCTANT TO PROVIDE ANY FURTHER AID TO SVN..

4. COMMENT: FONOF IS DOGGEDLY DETERMINED TO GET TOEHOLD IN HANOI, EVEN AT HIGH COST WHICH GOJ HAS STEP BY STEP EDGED TOWARD. WHILE HANOI HAS ADROITLY WRENCHED ECONOMIC (ALTHOUGH NOT POLITICAL) CONCESSIONS FROM TOKYO IN YEAR AND HALF OF NEGOTIATIONS, PROCESS HAS NOT INGRATIATED THEM WITH JAPANESE BUREAUCRACY AND WE SUSPECT ONCE RELATIONS ARE FINALLY SETTLED TOKYO WILL BE INCLINED TO NIGGARDLINESS IN PROVIDING FUTURE AID TO HANOI

5. WHILE IT APPEARS TO US SVN WILL PROBABLY SEEK COMPENSATION FOR SUPPORT JAPAN PROVIDED FORMER ADMINISTRATION, AUSTRALIAN EMBOFF INFORMED US THAT ECONOMIC COMPENSATION WAS NOT DISCUSSED IN TALKS GOA HELD WITH RGSVN ON ESTABLISHING DIPLOMATIC RELATIONS.  
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